The Hidden Costs of Leadership

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A 2001 research study by Development Dimensions International reports that more than one-third (38 percent) of leaders indicate a moderate chance that they will leave their organizations within the next year.

They further reported that in three organizations studied that less than half the employees (33–43 percent) had high confidence in leaders' abilities. (This is approximately 3 percent lower than in the comparable 1999 study.)

So, we are facing two issues. One is the apparent high level of turnover in leaders.

At what cost to employers? Do organizations ever track what it costs to recruit, train, and develop leaders? One organization we know says they invest between $75,000 and $150,000 in a sales representative (this is a major national company their business is sales) representative within the first couple of years. They were concerned about the hidden costs of the loss of their sales people. Law firms estimate that they invest six figures training and developing new attorneys.

Wouldn't the cost of losing leaders be at least that much?

The second issue has to do with the quality of leadership. Would we really invest hundreds of thousands of dollars and the future of the business or organization in leader in whom a large percentage of employees did not have confidence? Isn't this a number about which we ought to be concerned?

How We Select Leaders

Most of the screening efforts organizations use focus on experience and competencies. And, the higher up the leader is in the corporate ladder, the more likely the organization is to use a firm that charges a large fee for finding the best candidates. After all this effort and money, the data indicate that we still do not seem to be able to find leaders who will stick around or who inspire a lot of confidence in employees.

There are plenty of ways to reject the findings in the research:

> "It doesn't apply to us."

> "There are lies, damned lies, and . . . "

> "You can't believe everything you read . . . "

> "Only unhappy employees respond to those surveys . . . "

If you don't want to believe the study, we won't let the facts get in the way.

For everyone else, here's the point: there are tools and techniques available for assessing factors that seem to matter when hiring someone in a critical position. Do organizations know, for example, how critical competency is in predicting success? What other factor appears to be second to competency in many cases as a predictor of success? What if you knew how long someone was likely to be in a position before she or he got bored or burned out? How important is emotional competency or intelligence in all this?

What's more, an increasing amount of research suggests that competencies are not necessarily the major factor in performance! Besides, there are a number of different kinds of competencies: cognitive, professional, technical, etc. Even if we measure all of them in candidates, we may not be measuring the right thing.

The alternative? Learn about what other factors play a major role in leadership performance and look at those as part of the screening and succession processes. Being smarter about what contributes to leadership performance, how to measure those factors, and the relationship between those factors and success.

Otherwise, organizations will continue to get what it appears they have been getting—or worse—and all at a cost they do not track.